FEDERAL ENERGY REGULATORY COMMISSION
OFFICE OF MARKETS, TARIFFS AND RATES

May 6, 2002

BY E-MAIL

Sam Behrends, IV, Esq.
LeBoeuf Lamb Greene & MacRae, LLP
1875 Connecticut Ave., NW
Suite 1200
Washington, DC 20009-5728

Re: **Fact-Finding Investigation of Potential Manipulation of Electric and Natural Gas Prices, FERC Docket No. PA02-2-000**

Dear Mr. Behrends:

On February 13, 2002, the Commission issued an order stating that it intended to gather information on whether any entity, including any Enron Corporation (through any of its affiliates or subsidiaries) manipulated short-term prices for electric energy or natural gas in the West or otherwise exercised undue influence over wholesale electric prices in the West since January 1, 2000, resulting in potentially unjust and unreasonable rates in long-term power sales contracts subsequently entered into by sellers in the West.

At a meeting held at the Commission's offices at noon on May 6, 2002, you provided us with (1) two memoranda, one dated December 6, 2000, and the other dated December 8, 2000, to Richard Sanders (of Enron), from Christian Yoder (of Enron Power Marketing, Inc.) and Stephen Hall (of Stoel Rives, LLP), both entitled "Traders' Strategies in the California Wholesale Power Markets / ISO Sanctions"; and (2) one undated memorandum to Richard Sanders (of Enron) (with copies to Tim Belden, Michael Kirby, and Barrett Reasoner), from Gary Fergus (of Brobeck, Phleger & Harrison, LLP) and Jean Frizzell (of Gibbs & Bruns, LLP), entitled "Status Report on Further Investigation and Analysis of EPMI Trading Strategies." These memoranda were provided in partial response to data requests that I earlier issued to Enron Corporation in this proceeding

You have informed us that Enron has waived any claim of privilege or confidentiality with respect to these three memoranda. All three memoranda are attached hereto.

The memoranda discuss certain trading strategies that Enron's traders are using in the California wholesale energy market, for example, "inc-ing load" (*i.e.*, submitting unrealistic schedules) into the California Independent System Operator's real-time energy imbalance market; creating, and then "relieving," phantom congestion on the Cal ISO's transmission grid; and megawatt laundering (called "ricocheting" in the memoranda). Another strategy, called "death star," is described as allowing Enron to get paid "for moving energy to relieve congestion without actually moving any energy or relieving any congestion."

The last section of the two dated memoranda discuss the ISO tariff's definition of, and prohibition of, "gaming" and "anomalous market behavior." The memoranda then list and discuss those sanctions in the ISO tariff that would apply in the event that the ISO were to discover that Enron was engaging in such strategies.

We have the following preliminary follow-up questions with respect to these three memoranda.

1. The undated memorandum stated that the authors spent time learning about Enron's trading strategies with Enron traders, including Tim Belden and others. Provide a list of all traders and other Enron employees (both current and former) with whom the authors discussed the trading strategies outlined in the memoranda.

2. Provide all correspondence, dated both before and after December 2000, that discusses the trading strategies covered by these memoranda, or the ISO sanctions discussed in these memoranda.

3. Provide all memoranda and correspondence that discuss Enron's trading strategies with respect to natural gas markets in the West.

Your response to these questions must be provided no later than Friday, May 10, 2002.

Very truly yours,

Donald J. Gelinas
Associate Director
Office of Markets, Tariffs and Rates

Attachments